

Message Text

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FM AMEMBASSY PARIS
TO SECSTATE WASHDC 8996
INFO AMEMBASSY MOSCOW
AMEMBASSY BUDAPEST
AMEMBASSY BUCHAREST
AMEMBASSY SOFIA
AMEMBASSY PRAGUE
AMEMBASSY WARSAW
AMEMBASSY BELGRADE
ALL EC CAPITALS 0307
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C O N F I D E N T I A L SECTION 01 OF 03 PARIS 02073

E.O. 11652: GDS
TAGS: ESTC, EEWT, FR, SU
SUBJECT: INAUGURATION OF RUSSIAN-BUILT METAL PRESS
PROVIDES OCCASION FOR REVIEWING FRENCH SOVIET TRADE
RECORDS OF 1976.

REF: PARIS 01851

1. SUMMARY. THE VISIT BY THE VICE-PRESIDENT OF
THE SOVIET COUNCIL OF MINISTERS TO FRANCE FOR THE
JANUARY 13, 1977, INAUGURATION OF A MAJOR FRENCH-SOVIET
INDUSTRIAL PROJECT PROVIDED AN OPPORTUNITY FOR THE
SOVIETS AND FRENCH PRESIDENT VALERY GISCARD D'ESTAING
TO EXPRESS SATISFACTION OVER THEIR COUNTRIES' BILATERAL
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TRADE ACCOMPLISHMENTS DURING 1976 AND TO COMMENT
OPTIMISTICALLY THAT 1977 WILL BE SIMILARLY SUCCESSFUL.
END SUMMARY.

2. A 65,000 TON RUSSIAN-BUILT METAL PRESS CITED AS
BEING MOST POWERFUL IN WESTERN EUROPE WAS INAUGURATED
AT ISSOIRE ON JANUARY 13, 1977. FRENCH PRESIDENT

VALERY GISCARD D'ESTAING AND VICE-PRESIDENT OF SOVIET COUNCIL OF MINISTERS VLADIMIR KIRILINE WERE SPEAKERS AT INAUGURATION. THIS GIANT PRESS WAS BUILT AT A COST OF 55 MILLION FRANCS BY THE USSR FOR FRENCH FIRM, INTERFORGE, WHICH IS JOINTLY OWNED BY PECHINEY-UGINE KUHLMANN (THROUGH A SUBSIDIARY FORGEAL), AUBERT ET DUVAL, CREUSOT-LOIRE, AND SNECMA. SIX HUNDRED WORK HOURS ARE PLANNED IN 1977 FOR THE PRESS, SOME OF WHICH WILL BE USED TO MANUFACTURE AIRCRAFT PARTS, SUCH AS LANDING GEARS FOR THE "AIRBUS" AND OTHER PARTS FOR THE "ALPA JET" AS WELL AS OTHER TITANIUM AIRCRAFT ELEMENTS CURRENTLY IMPORTED FROM THE US. ACCORDING TO PRESS REPORTS, IT WILL ALSO BE USED FOR MANUFACTURING ISOTOPE SEPARATION PARTS FOR THE "EURODIF" URANIUM ENRICHMENT PLANT, MILITARY TANK HARDWARE, AND STEEL PARTS FOR HIGH SPEED TRAINS. A COMMUNIST DIPLOMAT IN PARIS ALSO NOTED TO US IN PASSING THAT PRESS COULD BE "QUITE USEFUL" FOR MAKING MILITARY MISSILES.

3. INAUGURATION CEREMONY PROVIDED GISCARD D'ESTAING AND KIRILINE OPPORTUNITIES TO REVIEW WITH APPARENT SATISFACTION THE RECORD VOLUME OF TRADE BETWEEN FRANCE AND THE SOVIET UNION AS WELL AS THE LARGE NUMBER OF NEW CONTRACTS SIGNED IN 1976. GISCARD, IN HIS ADDRESS, CITED 1976 AS A RECORD YEAR FOR NEW SOVIET CONTRACTS SIGNED WITH FRANCE (6.8 BILLION FRANCS). HE CONTINUED THAT FRANCO-SOVIET TECHNICAL AND ECONOMIC COOPERATION, SYMBOLIZED BY THE SUCCESSFUL
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CONCLUSION OF THE METAL PRESS PROJECT, HAD BEEN STRESSED BY SECRETARY BREZHNEV AT THE LAST CPSU CONGRESS, AND THAT IT WAS PERMANENT DIMENSION OF FRANCE'S FOREIGN POLICY. (COMMENT: BOTH QUAI AND MINISTRY OF FOREIGN TRADE OFFICERS RESPONSIBLE FOR FRENCH-SOVIET ECONOMIC RELATIONS HAVE TOLD US THAT SEVERAL FRENCH FIRMS, PARTICULARLY IN THE MACHINE TOOL INDUSTRY HAVE IN FACT BECOME GREATLY DEPENDENT UPON EASTERN EUROPEAN MARKETS, PARTICULARLY THAT OF THE SOVIET UNION WHICH IS COMPARATIVELY RELIABLE AND EXPANDING QUICKLY. THIS DEPENDENCY ON EAST EUROPE HAS NOW REACHED 25 PERCENT OF FRANCE'S MACHINE TOOL EXPORTS, AND ONE MAJOR FIRM NOW MAKES FULLY 50 PERCENT OF ITS SALES THERE.) IN HIS TURN, KIRILINE USED INAUGURATION PLATFORM TO PRAISE FRENCH-SOVIET COOPERATION NOTING THAT GROUNDWORK WAS BEGUN BY FORMER PRESIDENT DE GAULLE. IN COMPARISONS WITH 1970-74, KIRILINE PREDICTED A TRIPLING OF TRADE

BETWEEN FRANCE AND THE USSR BETWEEN 1975 AND 1979.

4. AN INITIAL REVIEW (FINAL TRADE FIGURES FOR 1976
ARE NOT YET AVAILABLE) INDICATES THAT TOTAL VOLUME

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OF FRENCH-SOVIET TRADE FOR 1976 WILL BE ABOUT 10
BILLION FRANCS. THROUGH NOVEMBER 1976, QUAI REPORTS
THAT FRENCH EXPORTS TO USSR COMPARED TO 1975
WERE UP 6.5 PERCENT (4.76 BILLION FRANCS) AND
FRENCH IMPORTS FROM USSR WERE UP 40 PERCENT
(4.09 BILLION FRANCS), GIVING 670 MILLION FRANC
SURPLUS TO FRANCE. THE TOTAL VOLUME OF TRADE IS
EXPECTED TO HAVE INCREASED IN 1976 BY ABOUT 22
PERCENT (8.2 BILLION FRANCS IN 1975 TO ABOUT 10
BILLION IN 1976). QUAI OFFICIAL NOTED THAT THESE

FIGURES DO NOT INCLUDE INDIRECT SOVIET GAS

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DELIVERIES ARRIVING IN FRANCE VIA HOLLAND. VALUE OF SIGNED CONTRACTS ROSE BY MORE THAN 50 PERCENT-- FROM 4.5 BILLION IN 1975 TO 6.8 BILLION FRANCS IN 1976.

5. ALTHOUGH FIRST HALF OF 1976 WAS SLOW, CONTRACTS PICKED UP HEAVILY IN SECOND HALF, AND THERE WERE TWO PARTICULARLY LARGE CONTRACTS CONCLUDED IN DEC. DECEMBER 2 TECHNIP SIGNED 2.5 BILLION FRANC CONTRACT WITH TECHMASHIMPORT FOR TURNKEY CONSTRUCTION OF TWO PETROCHEMICAL COMPLEXES AT UFA AND OMSK WHICH WILL PRODUCE 165,000 TPA OF PARA AND ORTHO-XYLENE AND 120,000 TPA OF BENZENE AND INTERMEDIATE AROMATIC PRODUCTS OF POLYESTER FIBER. THESE PLANTS WILL BE BUILT TOGETHER WITH SUBCONTRACTORS LITWEN SA, PROCOFRANCE SA, AND EUROTECNICA OF ITALY. (ITALIAN SHARE REPRESENTS 450 MILLION FRANCS OF TOTAL CONTRACT.) SALE IS TIED TO COMPENSATION AGREEMENT FOR SOVIET PETROLEUM PRODUCTS (DIESEL OIL AND NAPTHA) WORTH 2 BILLION FRANCS, AS WELL AS 500 MILLION FRANCS WORTH OF PRODUCTS FROM THE PLANTS THEMSELVES. PRODUCT DELIVERIES WILL COMMENCE IN 1980 AND CONTINUE THROUGH 1990 AT FOLLOWING RATES: DIESEL OIL 295,000TPA; NAPTHA 240,000 TPA; PARA-XYLENE AND ORTHO-XYLENE EACH 20,000 TPA; AND, BENZENE 50,000 TPA. (FOREIGN TRADE MINISTRY OFFICIAL NOTED THAT DIESEL FUEL IMPORTATION POSED MINOR PROBLEM SINCE IT REGARDED AS PRODUCT OF "SENSITIVE" FRENCH INDUSTRY.) A FOREIGN TRADE MINISTRY REPRESENTATIVE HAS CONFIRMED PRESS SPECULATION THAT FRANCE'S WILLINGNESS TO ACCEPT A 100 PERCENT COMPENSATION AGREEMENT WAS DECISIVE FACTOR IN WINNING THE CONTRACT OVER OTHER FOREIGN COMPETITORS, (INCLUDING ATLANTIC RICHFIELD). TRANSFER OF US MANUFACTURING PROCESS OWNED BY UNIVERSAL OIL PRODUCTS INC. IS REPORTEDLY INCLUDED IN THE CONTRACT. SECOND LARGE (485 MILLION FRANC) YEAR-END CONTRACT

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WAS SIGNED IN MOSCOW BY SPEICHIM, (AGAIN WITH TECHMASHIMPORT) FOR THREE CHEMICAL FERTILIZER PLANTS, WHICH WILL HAVE 2.4 MILLION TPA COMBINED TOTAL CAPACITY. OTHER YEAR-END FRENCH AGREEMENTS WITH THE USSR INCLUDE: 650 MILLION FRANC CONTRACT WITH COPPEE-

RUST (ONE-THIRD OF CONTRACT IS BELGIAN) FOR FOUR PHOSPHORIC ACID FACTORIES; 350 MILLION FRANC CONTRACT WITH USINES A TUBES DE LORRAINE-ESCOUT ET VALLOUREC REUNIES SA AND PONT A MOUSSON FOR NATURAL GAS PIPES; 22 MILLION FRANC CONTRACT WITH POCLAIN FOR HEAVY DUTY HYDRAULIC EXCAVATORS; 10 MILLION FRANC CONTRACT WITH SOCIETE GENERALE DE CONSTRUCTIONS TELEPHONIQUES (ITT CORP SUBSIDIARY) FOR TELEPHONE SYSTEM; 80 MILLION FRANC CONTRACT WITH LINE SA FOR MACHINE TOOLS.

6. FURTHER EMPHASIS ON FRENCH SOVIET TRADE IS EXPECTED WITH UPCOMING HIGH LEVEL VISITS. FRENCH FOREIGN MINISTER DE GUIRINGAUD WILL TRAVEL TO MOSCOW IN LATE MARCH AND SECRETARY BREZHNEV IS EXPECTED IN PARIS IN JUNE OR JULY. FRENCH DELEGATION TO THE ANNUAL FRANCO-SOVIET ECONOMIC "GRANDE COMMISSION" MEETING, USUALLY HELD IN JULY, WILL BE LED BY PRIME MINISTER BARRE. QUAI AND FOREIGN TRADE MINISTRY OFFICERS SAY SPECIFIC DATES FOR BREZHNEV VISIT AND MEETING OF "GRANDE COMMISSION" HAVE NOT BEEN SET AND NOTE THAT BECAUSE OF BREZHNEV VISIT TO PARIS, "GRANDE COMMISSION" MEETING MIGHT EITHER HAVE TO BE POSTPONED UNTIL SEPTEMBER OR HELD IN PARIS TO COINCIDE WITH BREZHNEV'S VISIT.

7. KIRILINE, IN PRESS INTERVIEW CONDUCTED AT INAUGURATION OF METAL PRESS, MENTIONED SEVERAL MORE PROSPECTIVE OR EXISTING CONTRACTS WITH FRANCE IN SUPPORT OF HIS OPTIMISM OVER FUTURE TRADE. HE REPORTED FRANCE AND THE USSR HAD URANIUM ENRICHMENT
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FM AMEMBASSY PARIS

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INFO AMEMBASSY MOSCOW

AMEMBASSY BUDAPEST

AMEMBASSY BUCHAREST

AMEMBASSY SOFIA

AMEMBASSY PRAGUE

AMEMBASSY WARSAW

AMEMBASSY BELGRADE

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CONTRACTS THROUGH 1990 VALUED AT 560 MILLION RUBLES
(OR ABOUT 3.36 BILLION FRANCS) AND THAT ADDITIONAL
CONTRACTS ARE EXPECTED IN 1977. HE REFERRED ALSO TO
ONGOING CONTRACT NEGOTIATIONS FOR HELIUM EXTRACTION
PLANTS (CONFIRMED BY QUAI OFFICER) TO PROVIDE
HELIUM FOR HIGH TEMPERATURE NUCLEAR REACTORS AND
MENTIONED SPECIFICALLY THE REACTOR AT MELEKESS.
KIRILINE SAID USSR IS ALSO PREPARED TO INCREASE
ITS GAS AND PETROLEUM DELIVERIES TO FRANCE AND
SUGGESTED THIS BE DISCUSSED AT UPCOMING "GRANDE
COMMISSION" MEETING. (QUAI OFFICER REPORTED THAT
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FRANCE PLANS TO INCREASE ITS GAS RECEIPTS FROM THE
USSR FROM 2 BILLION CUBIC METERS IN 1976 TO 4 BILLION
CUBIC METERS IN 1980. SAME SOURCE REPORTED
THAT FRANCE IMPORTED 4 MILLION TONS OF PETROLEUM
FROM THE USSR IN 1976. THIS FIGURE IS NOT LIKELY TO
INCREASE SUBSTANTIALLY IN 1977 GIVEN FRANCE'S OWN
PETROLEUM IMPORT CEILINGS.)

7. FOR HEAVY INDUSTRIAL PRODUCTS, USSR GAVE THE
FRENCH MINISTRY FOR FOREIGN TRADE FOLLOWING FIGURES
PROJECTING FRENCH EXPORTS TO USSR THROUGH 1979 BASED
ON EXISTING CONTRACTS: 1977--542MILLION RUBLES (3.3
BILLION FRANCS); 1978--700 MILLION RUBLES (4.2 BILLION
FRANCS); 1979--476 MILLION RUBLES (2.9 BILLION FRANCS)

--ROUGHLY, A TOTAL GUARANTEED EXPORT OF 10 BILLION
FRANCS. FRENCH FOREIGN TRADE MINISTRY ALSO INFORMED
BY USSR COUNTERPARTS THAT UNSIGNED HEAVY INDUSTRIAL
CONTRACTS PROJECTED FOR NEGOTIATION IN 1977-78 WITH
FRANCE AND OTHER WESTERN COUNTRIES AMOUNT TO
APPROXIMATELY 12 BILLION FRANCS.
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